

City of Fort Madison

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2009

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City of Fort Madison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Ireland	Mayor	January, 2010
Bob Chesnut	Council Member	January, 2012
Kevin Rink	Council Member	January, 2012
Mark Lair	Council Member	January, 2012
Carrie Fraise	Council Member	January, 2012
Chris Greenwald	Council Member	January, 2010
Neal Boeding	Council Member	January, 2010
Brad Randolph	Council Member	January, 2010
Byron D. Smith	City Manager	Indefinite
Suellen Mead	City Clerk	Indefinite
Peggy Steffensmeier	City Treasurer	Indefinite
Robert N. Johnson, III	Attorney	Indefinite
Bruce Niggemeyer	Chief of Police	Indefinite
Joey Herren	Fire Chief	Indefinite



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Independent Auditor's Report

Honorable Mayor and City Council of
the City of Fort Madison, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fort Madison, Iowa (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 23 and 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting.

The supplementary information, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the "Miscellaneous Statistical Section" in the table of contents, was not audited by us and, accordingly, we express no opinion on it.

CPA Associates PC

February 26, 2010

City of Fort Madison Management's Discussion and Analysis

The City of Fort Madison (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 13%, or approximately \$1,224,000, from fiscal 2008 to fiscal 2009. An Iowa Department of Economic Development Community Development Block Grant was received in fiscal 2008 for Siemens for \$1,005,000.
- Disbursements of the City's governmental activities decreased 28%, or approximately \$2,449,000, in fiscal 2009 from fiscal 2008 due to the completion of the following capital projects during 2008: library remodel of \$1,518,000; 15th Street replacement of \$493,000; and Ortho road project of \$383,000.
- The City's total cash basis net assets decreased 6%, or approximately \$688,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$347,000 and the assets of business type activities decreased approximately \$1,035,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and solid waste departments. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The government fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the water, sewer, and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$4.61 million to \$4.96 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in thousands)

	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for services	\$ 390	\$ 349
Operating grants, contributions and restricted interest	2,562	4,143
General receipts:		
Property tax	3,159	3,141
Local option sales tax	1,145	1,023
Tax increment financing	264	409
Debt service	264	260
Unrestricted interest on investments	187	190
Bond proceeds	-	1,165
Other general receipts	762	617
Total receipts	<u>8,733</u>	<u>11,297</u>
Disbursements:		
Public safety	3,051	3,183
Public works	1,032	1,022
Health and social services	39	39
Culture and recreation	1,020	967
Community and economic development	1,180	1,283
General government	813	524
Debt service	610	626
Capital projects	830	3,380
Total disbursements	<u>8,575</u>	<u>11,024</u>
Change in cash basis net assets before transfers	158	273
Transfers, net	<u>14</u>	<u>(4)</u>
Change in cash basis net assets	172	269
Cash basis net assets beginning of year	<u>4,615</u>	<u>4,346</u>
Cash basis net assets end of year	<u>\$ 4,787</u>	<u>\$ 4,615</u>

The City's total receipts for governmental activities decreased by 26% or \$2,390,000. The decrease in receipts was primarily the result of bond proceeds of \$1,165,000 received in fiscal 2008 and Community Development Block Grant to Siemens of \$1,005,000 from fiscal 2008. The total cost of all programs and services decreased by approximately \$2,449,000 or 28% with no new programs added this year. This decrease was primarily due to the completion of the following capital projects in fiscal 2008: library remodel of \$1,518,000; 15th Street replacement of \$493,000; and Ortho road project of \$383,000.

The cost of all governmental activities this year was \$8.57 million compared to \$11.02 million last year. However, as shown in the statement of activities and net assets on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was \$5.75 million because some of the cost was paid by those directly benefited from the programs (\$390,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,439,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$4,492,000 to approximately \$2,826,000, principally due to a decrease in operating and capital grants (\$1,005,000 for Siemens and \$631,000 for capital projects), contributions, and unrestricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$5,750,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Change in Cash Basis of Net Assets Business Type Activities
(Expressed in thousands)

	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Water charges	\$ 2,605	\$ 2,625
Sewer charges	1,348	1,509
Solid waste charges	531	642
General receipts:		
Bond proceeds	-	525
Miscellaneous receipts	<u>2,524</u>	<u>899</u>
Total receipts	<u>7,008</u>	<u>6,200</u>
Disbursements:		
Water	4,579	2,718
Sewer	2,831	1,868
Solid waste	<u>619</u>	<u>690</u>
Total disbursements	<u>8,029</u>	<u>5,276</u>
Change in cash basis net assets before transfers	(1,021)	924
Transfers, net	<u>(14)</u>	<u>4</u>
Change in cash basis net assets	(1,035)	928
Cash basis net assets beginning of year	<u>5,728</u>	<u>4,800</u>
Cash basis net assets end of year	<u>\$ 4,693</u>	<u>\$ 5,728</u>

Total business type activities receipts for the fiscal year were \$7 million compared to \$6.2 million last year. This increase was due primarily to the receipt of loan proceeds in 2009. The cash balance decreased by approximately \$1,035,000 from the prior year largely due to the cost of capital projects. Total disbursements for the fiscal year increased by approximately 52% to a total of \$8.03 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fort Madison completed the year, its governmental funds reported a combined fund balance of \$4,961,000, an increase of \$347,000 above last year's total of \$4,615,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$421,000 from the prior year to \$1,536,000. The increase was due to an increase in building permits, planning and zoning fees, and transfers into the general fund.
- The Special Revenue, Road Use Tax Fund cash balance decreased by \$32,000 to \$155,000 during the fiscal year. This decrease was attributable to a lower per capita rate received from the State. The rising costs of fuel and other petroleum based products are expected to put continued pressure on the cash balance of the Road Use Tax Fund.
- The Special Revenue, Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. Eighty percent of these Local Option Sales Tax revenues go to the general fund, while the other twenty percent goes to pay for capital improvement projects. At the end of the fiscal year, the cash balance was \$1,185,000, an increase of \$48,000 from the previous year.
- The Debt Service Fund cash balance decreased \$26,000 to \$67,000 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$853,000 to \$1,902,000, due primarily to an increase in capital projects, construction of a new water plant.
- The Sewer Fund cash balance decreased \$92,000 to \$2,775,000, due primarily to an increase in capital projects, 10th Street pumping station.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its operating budget. The amendment was approved on May 19, 2009 and resulted in an increase in revenues of \$3,280,190 and an increase in operating disbursements of \$3,945,290. Increases in revenues included other city taxes, intergovernmental, miscellaneous and other financing sources. Increases in expenditures included culture and recreation, community and economic development, transfers, and general government.

The City exceeded the amounts budgeted in the culture and recreation and debt service functions for the year ended June 30, 2009 due to costs associated with the library that were not budgeted.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$11,746,700 in bonds and other long-term debt compared to approximately \$10,844,700 last year as shown below.

	Outstanding debt at year-end (Expressed in thousands)	
	June 30, 2009	2008
General obligation bonds	\$ 6,960	\$ 7,360
Revenue bonds	4,523	3,228
Capital loan notes	192	117
Urban renewal TIF's	72	139
Total	<u>\$ 11,747</u>	<u>\$ 10,844</u>

Debt increased as a result of borrowing \$1,784,538 from the State Revolving Loan Fund for water and sewer projects.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$7,224,000 is well below the City's \$17.5 million legal debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and fees that will be charged for various City activities. The City has experienced a depressed economy in the area due to plant closings in the last 10 years but recently Siemens Wind Generator Plant has opened and that trend has reversed. Despite that addition, the Lee County unemployment rate was 5.8% in June 2008 and 9.3% in June 2009. The City anticipates improvements in that rate as the economy of Fort Madison and Lee County grows.

The City water department started construction of a new water treatment plant during the 2nd quarter of 2009. Highway 61 bypass of Fort Madison began in 2009 and is to be completed by 2011. Attendance at the new 16,500 square foot library, which opened in November 2007, has doubled. The assisted living complex and condominium project west of 48th Street have both opened (\$5,800,000 taxable valuation). All of these factors indicate positive economic development.

With the decline in population in the City and County of 1,326 people or 3.5% from the year 2000 and the State's residential rollback rate, the City's taxable valuation has been reduced resulting in reduced revenues. With the City Council approval of the Port Authority and Enterprise Zone status, the stage is set for additional infrastructure, jobs, and tax revenues from those facilities, but will not be seen for several years. Recent negotiations with all five city unions (police, fire, public works, water and library) resulted in two year contracts with concessions made by the unions in areas of insurance and benefits. Even with these concessions, 2010-2011 fiscal year budgets will be difficult to balance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Byron D. Smith, City Manager, City of Fort Madison, P.O. Box 240, Fort Madison, Iowa 52627.

BASIC FINANCIAL STATEMENTS

City of Fort Madison
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2009

		Program Receipts			Net (Disbursements) Receipts		
		Charges for Service and Sales	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions	Governmental Activities	Business-Type Activities	Total
Functions / Programs:	Disbursements						
Governmental activities:							
Public safety	\$ 3,051,021	\$ 38,260	\$ 110,709	\$ -	\$ (2,902,052)	\$ -	\$ (2,902,052)
Public works	1,032,424	-	952,161	-	(80,263)	-	(80,263)
Health and social services	38,786	-	30,019	-	(8,767)	-	(8,767)
Culture and recreation	1,020,231	179,703	546,139	-	(294,389)	-	(294,389)
Community and economic development	1,180,420	-	407,085	-	(773,335)	-	(773,335)
General government	813,101	171,800	389,818	-	(251,483)	-	(251,483)
Debt service	609,529	-	-	-	(609,529)	-	(609,529)
Capital projects	830,197	-	126,470	-	(703,727)	-	(703,727)
Total governmental activities	<u>8,575,709</u>	<u>389,763</u>	<u>2,562,401</u>	<u>-</u>	<u>(5,623,545)</u>	<u>-</u>	<u>(5,623,545)</u>
Business type activities:							
Water	4,577,589	2,604,728	333,778	-	-	(1,639,083)	(1,639,083)
Sewer	2,831,381	1,347,577	-	-	-	(1,483,804)	(1,483,804)
Solid waste	619,314	531,224	-	-	-	(88,090)	(88,090)
Total business type activities	<u>8,028,284</u>	<u>4,483,529</u>	<u>333,778</u>	<u>-</u>	<u>-</u>	<u>(3,210,977)</u>	<u>(3,210,977)</u>
Total	<u>\$ 16,603,993</u>	<u>\$ 4,873,292</u>	<u>\$ 2,896,179</u>	<u>\$ -</u>	<u>(5,623,545)</u>	<u>(3,210,977)</u>	<u>(8,834,522)</u>
General Receipts:							
Property tax levied for:							
General purposes					3,159,640	15,597	3,175,237
Debt service					264,233	-	264,233
Tax increment financing					438,351	-	438,351
Local option sales tax					1,145,386	-	1,145,386
Unrestricted investment earnings					186,735	207,970	394,705
Bond proceeds					-	1,784,538	1,784,538
Transfers					14,000	(14,000)	-
Miscellaneous					<u>761,751</u>	<u>182,187</u>	<u>943,938</u>
Total general receipts and transfers					<u>5,970,096</u>	<u>2,176,292</u>	<u>8,146,388</u>
Change in cash basis net assets					346,551	(1,034,685)	(688,134)
Cash basis net assets beginning of year					<u>4,614,550</u>	<u>5,728,004</u>	<u>10,342,554</u>
Cash basis net assets end of year					<u>\$ 4,961,101</u>	<u>\$ 4,693,319</u>	<u>\$ 9,654,420</u>
Cash Basis Net Assets:							
Restricted:							
Streets					\$ 155,278	\$ -	\$ 155,278
Sales tax					1,184,683	-	1,184,683
Other purposes					2,085,590	3,201,414	5,287,004
Unrestricted					<u>1,535,550</u>	<u>1,491,905</u>	<u>3,027,455</u>
Total cash basis net assets					<u>\$ 4,961,101</u>	<u>\$ 4,693,319</u>	<u>\$ 9,654,420</u>

See notes to financial statements.

City of Fort Madison
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2009

	Special Revenue				Debt Service	Capital Projects	Other Nonmajor Govern- mental	Total
	General	Road Use	Sales Tax	Urban Renewal TIF				
Receipts:								
Property tax	\$ 1,842,317	\$ -	\$ -	\$ -	\$ 264,233	\$ -	\$ 1,317,323	\$ 3,423,873
Tax increment financing collections	-	-	-	438,351	-	-	-	438,351
Other taxes	-	-	1,145,386	-	-	-	191,327	1,336,713
Use of money and property	159,267	-	-	16,533	-	-	40,685	216,485
Licenses and permits	163,030	-	-	-	-	-	-	163,030
Intergovernmental	45,253	952,161	-	-	-	126,470	1,306,619	2,430,503
Charges for services	100,426	-	-	-	-	-	70,206	170,632
Miscellaneous	206,799	17,194	-	5,000	-	4,496	495,184	728,673
Total receipts	<u>2,517,092</u>	<u>969,355</u>	<u>1,145,386</u>	<u>459,884</u>	<u>264,233</u>	<u>130,966</u>	<u>3,421,344</u>	<u>8,908,260</u>
Disbursements:								
Governmental activities:								
Public safety	2,872,388	-	-	-	-	-	178,633	3,051,021
Public works	26,283	1,001,441	-	-	-	-	4,700	1,032,424
Health and social services	360	-	-	-	-	-	38,426	38,786
Culture and recreation	735,673	-	-	-	-	-	284,558	1,020,231
Community and economic development	89,662	-	-	162,925	-	-	927,833	1,180,420
General government	496,228	-	-	-	-	-	316,873	813,101
Debt service	-	-	-	278,015	331,514	-	-	609,529
Capital projects	-	-	-	-	-	830,197	-	830,197
Total disbursements	<u>4,220,594</u>	<u>1,001,441</u>	<u>-</u>	<u>440,940</u>	<u>331,514</u>	<u>830,197</u>	<u>1,751,023</u>	<u>8,575,709</u>
Excess (deficiency) of receipts over disbursements	(1,703,502)	(32,086)	1,145,386	18,944	(67,281)	(699,231)	1,670,321	332,551
Other financing sources (uses):								
Operating transfers in (out)	<u>2,124,515</u>	<u>-</u>	<u>(1,097,053)</u>	<u>15,991</u>	<u>40,790</u>	<u>266,985</u>	<u>(1,337,228)</u>	<u>14,000</u>
Net change in cash balances	421,013	(32,086)	48,333	34,935	(26,491)	(432,246)	333,093	346,551
Cash balances beginning of year	<u>1,114,537</u>	<u>187,364</u>	<u>1,136,350</u>	<u>289,682</u>	<u>93,268</u>	<u>422,928</u>	<u>1,370,421</u>	<u>4,614,550</u>
Cash balances end of year	<u>\$ 1,535,550</u>	<u>\$ 155,278</u>	<u>\$ 1,184,683</u>	<u>\$ 324,617</u>	<u>\$ 66,777</u>	<u>\$ (9,318)</u>	<u>\$ 1,703,514</u>	<u>\$ 4,961,101</u>
Cash Basis Fund Balances								
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ 66,777	\$ -	\$ -	\$ 66,777
Unreserved:								
General fund	1,535,550	-	-	-	-	-	-	1,535,550
Special revenue fund	-	155,278	1,184,683	324,617	-	-	1,513,523	3,178,101
Capital projects fund	-	-	-	-	-	(9,318)	-	(9,318)
Permanent fund	-	-	-	-	-	-	189,991	189,991
Total cash basis fund balances	<u>\$ 1,535,550</u>	<u>\$ 155,278</u>	<u>\$ 1,184,683</u>	<u>\$ 324,617</u>	<u>\$ 66,777</u>	<u>\$ (9,318)</u>	<u>\$ 1,703,514</u>	<u>\$ 4,961,101</u>

See notes to financial statements.

City of Fort Madison
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for service	\$ 2,604,728	\$ 1,347,577	\$ 531,224	\$ 4,483,529
Total operating receipts	<u>2,604,728</u>	<u>1,347,577</u>	<u>531,224</u>	<u>4,483,529</u>
Operating disbursements:				
Business type activities	<u>2,063,259</u>	<u>1,253,043</u>	<u>618,447</u>	<u>3,934,749</u>
Total operating disbursements	<u>2,063,259</u>	<u>1,253,043</u>	<u>618,447</u>	<u>3,934,749</u>
Excess (deficiency) of receipts over disbursements	<u>541,469</u>	<u>94,534</u>	<u>(87,223)</u>	<u>548,780</u>
Non-operating receipts (disbursements):				
Special assessments	7,462	4,470	3,665	15,597
Intergovernmental	453,493	-	-	453,493
Interest on investments	100,407	105,396	2,167	207,970
Customer deposits	21,800	-	-	21,800
Miscellaneous	(1,650)	41,487	835	40,672
Loan proceeds	560,383	1,224,155	-	1,784,538
Capital projects	(2,051,699)	(1,239,846)	(867)	(3,292,412)
Debt service	<u>(462,631)</u>	<u>(338,492)</u>	<u>-</u>	<u>(801,123)</u>
Net non-operating receipts (disbursements)	<u>(1,372,435)</u>	<u>(202,830)</u>	<u>5,800</u>	<u>(1,569,465)</u>
Operating transfers in (out)	<u>(22,500)</u>	<u>16,000</u>	<u>(7,500)</u>	<u>(14,000)</u>
Net change in cash balances	(853,466)	(92,296)	(88,923)	(1,034,685)
Cash balances beginning of year	<u>2,755,113</u>	<u>2,867,502</u>	<u>105,389</u>	<u>5,728,004</u>
Cash balances end of year	\$ <u>1,901,647</u>	\$ <u>2,775,206</u>	\$ <u>16,466</u>	\$ <u>4,693,319</u>
Cash Basis Fund Balances				
Reserved for equipment replacement	\$ 1,049,785	\$ 2,151,629	\$ -	\$ 3,201,414
Unreserved	<u>851,862</u>	<u>623,577</u>	<u>16,466</u>	<u>1,491,905</u>
Total cash basis fund balances	\$ <u>1,901,647</u>	\$ <u>2,775,206</u>	\$ <u>16,466</u>	\$ <u>4,693,319</u>

See notes to financial statements.

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Fort Madison (City) is a political subdivision of the State of Iowa located in Lee County. It was incorporated in 1838 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities and solid waste removal for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Planning and Zoning Commission, Board of Adjustments, Airport Commission, Great River Regional Waste Authority, 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and drug task force.

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's garbage pick-up system.

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the culture and recreation and debt service functions.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of GASB Statement No. 40.

The City received \$394,705 in interest income during the year.

City of Fort Madison
Notes to Financial Statements

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, revenue bonds and urban renewal tax increment financing revenue bonds are as follows:

Year Ended June 30,	General Obligation		Revenue Bonds		Urban Renewal Tax Increment Financing Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 488,672	\$ 289,252	\$ 932,130	\$ 127,449	\$ 35,000	\$ 5,239	\$ 1,455,802	\$ 421,940
2011	544,794	268,676	903,383	112,474	37,000	2,310	1,485,177	383,460
2012	460,859	242,929	357,000	98,513	-	-	817,859	341,442
2013	482,436	225,775	365,000	83,763	-	-	847,436	309,538
2014	405,000	207,313	384,000	68,574	-	-	789,000	275,887
2015-2019	2,125,000	792,317	930,000	171,746	-	-	3,055,000	964,063
2020-2024	1,965,000	376,884	651,376	53,400	-	-	2,616,376	430,284
2025-2028	680,000	47,242	-	-	-	-	680,000	47,242
	<u>\$ 7,151,761</u>	<u>\$ 2,450,388</u>	<u>\$ 4,522,889</u>	<u>\$ 715,919</u>	<u>\$ 72,000</u>	<u>\$ 7,549</u>	<u>\$11,746,650</u>	<u>\$ 3,173,856</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued urban renewal tax increment financing (TIF) revenue bonds for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$79,549, payable through June 2011. For the current year, interest paid and total TIF receipts were \$9,933 and \$438,351, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay four revenue bond issues. The bonds were issued between May 1998 and July 2006. Proceeds from the notes provided financing for the construction of several water system projects and construction of a new water treatment plant. The notes are payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,860,790. For the current year, principal and interest paid and total customer net receipts were \$427,114 and \$541,469, respectively.

City of Fort Madison
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

Revenue Notes (continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay three revenue bond issues. The bonds were issued between September 2000 and August 2007. Proceeds from the notes provided financing for the construction of several sewer system projects. The notes are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,378,018. For the current year, principal and interest paid and total customer net receipts were \$185,076 and \$94,534, respectively.

The resolutions providing for the issuance of the sewer and water revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly transfers equal to a sum of one-twelfth of the principal of all the 1998, 2001 and 2002 Water Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Water Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (d) A Water Revenue Bond Reserve Fund of \$619,000 shall be maintained and used solely for payment of principal and interest on the 1998, 2001 and 2002 Water Revenue Bonds and any Parity Bonds when insufficient funds are available in the Water Revenue Bond Sinking Fund.
- (e) A minimum of \$1,500 per month shall be transferred to the Water Revenue Bond Depreciation Fund until a minimum fund balance of \$100,000 is attained. These funds are to be used solely to pay the cost of extraordinary maintenance expense or repairs and capital improvements to the system. At June 30, 2009, this restricted fund had a balance of \$242,725 and is included as part of the Water Revenue Fund balance.
- (f) Water user charges must be established at a level which produces and maintains net revenues at a level not less than 125% of principal and interest requirements due in the same year.
- (g) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

The City had an outstanding contract between the Iowa Department of Economic Development (IDED) and a city business for a Community Economic Betterment Account (CEBA) loan at June 30, 2009. Although the note bears the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loans are not reported as a liability in the accompanying financial statements.

City of Fort Madison
Notes to Financial Statements

Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, was \$162,008, \$148,730, and \$132,430, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a board of trustees. The Plan provides retirement, disability, and death benefits, which are established by state statute, to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation (18.75% as of July 1, 2008). Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2009, 2008, and 2007 was \$281,454, \$360,430, and \$412,000, respectively, equal to the required contributions for each year.

International City Management Association (ICMA)

The Iowa Public Employees Retirement System regulations exempt the City Manager from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Manager, which allows contributions up to 25% of salary with a maximum of \$8,000. Contributions were \$2,342 for the year ended June 30, 2009 and no contributions were made for the years ended June 30, 2008 and 2007.

City of Fort Madison
Notes to Financial Statements

Note 5. Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 96 active and 9 retired members in the plan. Participants must be age 55 or older at retirement

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$439 for single coverage and \$1,300 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$1,284,501 and plan members eligible for benefits contributed \$85,368 to the plan.

Note 6. Compensated Absences

City employees, with the exceptions of fire department and water department personnel, accumulate sick leave hours at a rate of 14 hours per month up to a maximum of 1,160 hours. Fire and water department employees accumulate 12 hours per month up to a maximum of 1,160 hours. Accumulated sick leave is not payable upon termination, retirement or death, with the exception of water department employees who can receive 400 hours of sick leave upon retirement.

Accumulated sick leave and vacation are not recognized as expenditures by the City until used or paid. The City's maximum liability for unrecognized accrued employee benefits as of June 30, 2009, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 428,563
Sick leave	<u>404,812</u>
	<u>\$ 833,375</u>

This liability has been computed based on rates of pay as of June 30, 2009.

Note 7. Related Party Transactions

Business transactions between the City and City officials totaled \$23,143 during the year ended June 30, 2009.

City of Fort Madison
Notes to Financial Statements

Note 8. Conduit Debt Obligations

In the past, the City assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment. The following are the outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
Fort Madison Community Hospital	Revenue	1996	\$ 3,500,000
WOW, LLC	Revenue	1999	\$ 1,450,000

Note 9. Deficit Balance

The Capital Projects Fund had a deficit balance of \$9,318 at year end. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant monies.

Note 10. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Post-Closure Care Costs

The City was previously a member of the Lee County Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The landfill was closed in 1990 and is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City paid approximately \$19,950 for the year ended June 30, 2009 for these costs.

Note 12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special revenue	\$ 2,124,515
Debt service	Special revenue	40,790
Special revenue	Enterprise funds	14,000
Capital projects	Special revenue	<u>266,985</u>
		<u>\$ 2,446,290</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Fort Madison
Notes to Financial Statements

Note 13. Revolving Loan Fund

The City has entered into an agreement with Southeast Iowa Regional Planning Commission (SEIRPC) to establish a revolving loan fund for commercial business growth and to assist in new business development. The City transfers funds to SEIRPC who will administer and manage the revolving loan fund. The amounts to be transferred shall not exceed \$200,000. At June 30, 2009, \$68,043 was outstanding on these loans to businesses.

Note 14. Commitments

The City has committed to the following significant projects as of June 30, 2009:

Water treatment plant	\$ 16,000,000
Amtrak depot restoration	420,000
Highway 61 project	500,000
Combine sewer overflow disinfection	<u>1,000,000</u>
Total	<u>\$ 17,920,000</u>

Note 15. Subsequent Events

The City performed an evaluation of subsequent events through February 26, 2010. The City has issued a \$1,350,000 General Obligation Capital Loan Note for a sewer project and borrowed \$6,676,539 from State Revolving loan fund for construction of the water treatment plant subsequent to year end.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fort Madison
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	<u>Budget Original</u>	<u>Budget Final</u>	Final to Actual Variance Favorable (Unfavorable)
Receipts:							
Property tax	\$ 3,423,873	\$ -	\$ -	\$ 3,423,873	\$ 3,236,253	\$ 3,236,253	\$ 187,620
Tax increment financing collections	438,351	-	-	438,351	444,680	444,680	(6,329)
Other taxes	1,336,713	-	-	1,336,713	1,255,541	1,396,641	(59,928)
Use of money and property	216,485	207,970	2,858	421,597	402,720	402,720	18,877
Licenses and permits	163,030	-	-	163,030	86,080	103,580	59,450
Intergovernmental	2,430,503	453,493	-	2,883,996	1,172,000	2,362,710	521,286
Charges for services	170,632	4,483,529	-	4,654,161	5,486,480	5,486,480	(832,319)
Special assessments	-	15,597	-	15,597	13,000	13,000	2,597
Miscellaneous	<u>728,673</u>	<u>62,472</u>	<u>-</u>	<u>791,145</u>	<u>2,965,330</u>	<u>3,316,210</u>	<u>(2,525,065)</u>
Total receipts	<u>8,908,260</u>	<u>5,223,061</u>	<u>2,858</u>	<u>14,128,463</u>	<u>15,062,084</u>	<u>16,762,274</u>	<u>(2,633,811)</u>
Disbursements:							
Public safety	3,051,021	-	-	3,051,021	3,129,700	3,129,700	78,679
Public works	1,032,424	-	-	1,032,424	1,124,240	1,124,240	91,816
Health and social services	38,786	-	-	38,786	42,950	42,950	4,164
Culture and recreation	1,020,231	-	-	1,020,231	924,060	1,011,560	(8,671)
Community and economic development	1,180,420	-	-	1,180,420	359,510	1,241,000	60,580
General government	813,101	-	-	813,101	2,159,690	2,459,690	1,646,589
Debt service	609,529	-	-	609,529	531,070	531,070	(78,459)
Capital projects	830,197	-	-	830,197	1,675,000	1,675,000	844,803
Business type	<u>-</u>	<u>8,028,284</u>	<u>-</u>	<u>8,028,284</u>	<u>6,106,690</u>	<u>8,782,990</u>	<u>754,706</u>
Total disbursements	<u>8,575,709</u>	<u>8,028,284</u>	<u>-</u>	<u>16,603,993</u>	<u>16,052,910</u>	<u>19,998,200</u>	<u>3,394,207</u>
Excess (deficiency) of receipts over disbursements	332,551	(2,805,223)	2,858	(2,475,530)	(990,826)	(3,235,926)	(760,396)
Other financing sources, net	<u>14,000</u>	<u>1,770,538</u>	<u>-</u>	<u>1,784,538</u>	<u>1,150,000</u>	<u>2,590,000</u>	<u>805,462</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	346,551	(1,034,685)	2,858	(690,992)	159,174	(645,926)	45,066
Cash balances beginning of year	<u>4,614,550</u>	<u>5,728,004</u>	<u>187,133</u>	<u>10,155,421</u>	<u>9,283,721</u>	<u>9,283,721</u>	<u>(871,700)</u>
Cash balances end of year	<u>\$ 4,961,101</u>	<u>\$ 4,693,319</u>	<u>\$ 189,991</u>	<u>\$ 9,464,429</u>	<u>\$ 9,442,895</u>	<u>\$ 8,637,795</u>	<u>\$ (826,634)</u>

See accompanying independent auditor's report.

City of Fort Madison
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursement known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$3,945,290. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

City of Fort Madison
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2009

	Special Revenue											Permanent	
	Unrestricted Gifts and Misc	Hotel/Motel Tax	Traffic/Safety Misc Grants	LHAP Grants	Emergency Tax Levy	Drug Task Force	Tobacco and EDSA Grants	Grant Opportunity	Flood Damage	Police/Fire Retirement	Insurance Reserve	Cemetery PC	Total
Receipts:													
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 56,921	\$ -	\$ -	\$ -	\$ -	\$ 275,398	\$ 985,004	\$ -	\$ 1,317,323
Other taxes	-	191,327	-	-	-	-	-	-	-	-	-	-	191,327
Use of money and property	11,206	-	-	-	-	-	-	21,335	-	6,269	1,875	-	40,685
Intergovernmental	172,116	-	23,266	705,740	-	55,329	2,100	-	348,068	-	-	-	1,306,619
Charges for service	70,206	-	-	-	-	-	-	-	-	-	-	-	70,206
Miscellaneous	188,522	-	-	-	-	-	-	300,000	-	-	3,804	2,858	495,184
Total receipts	<u>442,050</u>	<u>191,327</u>	<u>23,266</u>	<u>705,740</u>	<u>56,921</u>	<u>55,329</u>	<u>2,100</u>	<u>321,335</u>	<u>348,068</u>	<u>281,667</u>	<u>990,683</u>	<u>2,858</u>	<u>3,421,344</u>
Disbursements:													
Public safety	48,286	-	21,757	-	52,493	48,026	515	-	-	7,556	-	-	178,633
Public works	4,700	-	-	-	-	-	-	-	-	-	-	-	4,700
Health and social services	38,426	-	-	-	-	-	-	-	-	-	-	-	38,426
Culture and recreation	276,758	-	-	7,800	-	-	-	-	-	-	-	-	284,558
Comm & econ development	172,820	-	-	705,740	-	-	-	49,273	-	-	-	-	927,833
General government	-	108,665	-	-	-	-	-	-	208,208	-	-	-	316,873
Total disbursements	<u>540,990</u>	<u>108,665</u>	<u>21,757</u>	<u>713,540</u>	<u>52,493</u>	<u>48,026</u>	<u>515</u>	<u>49,273</u>	<u>208,208</u>	<u>7,556</u>	<u>-</u>	<u>-</u>	<u>1,751,023</u>
Excess (deficiency) of receipts over disbursements	<u>(98,940)</u>	<u>82,662</u>	<u>1,509</u>	<u>(7,800)</u>	<u>4,428</u>	<u>7,303</u>	<u>1,585</u>	<u>272,062</u>	<u>139,860</u>	<u>274,111</u>	<u>990,683</u>	<u>2,858</u>	<u>1,670,321</u>
Other financing sources (uses)													
Operating transfer in	79,646	-	-	10,516	-	7,500	-	-	-	-	-	-	97,662
Operating transfer out	(6,000)	(82,662)	-	-	-	-	-	(163,300)	-	(279,541)	(903,387)	-	(1,434,890)
Total other	<u>73,646</u>	<u>(82,662)</u>	<u>-</u>	<u>10,516</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>(163,300)</u>	<u>-</u>	<u>(279,541)</u>	<u>(903,387)</u>	<u>-</u>	<u>(1,337,228)</u>
Net change in cash balances	(25,294)	-	1,509	2,716	4,428	14,803	1,585	108,762	139,860	(5,430)	87,296	2,858	333,093
Cash balances beginning of year	<u>403,393</u>	<u>-</u>	<u>(142)</u>	<u>2,667</u>	<u>38,018</u>	<u>(14,803)</u>	<u>53,360</u>	<u>520,947</u>	<u>-</u>	<u>116,876</u>	<u>62,972</u>	<u>187,133</u>	<u>1,370,421</u>
Cash balances end of year	<u>\$ 378,099</u>	<u>\$ -</u>	<u>\$ 1,367</u>	<u>\$ 5,383</u>	<u>\$ 42,446</u>	<u>\$ -</u>	<u>\$ 54,945</u>	<u>\$ 629,709</u>	<u>\$ 139,860</u>	<u>\$ 111,446</u>	<u>\$ 150,268</u>	<u>\$ 189,991</u>	<u>\$ 1,703,514</u>
Cash Basis Fund Balances													
Unreserved:													
Special revenue fund	\$ 378,099	\$ -	\$ 1,367	\$ 5,383	\$ 42,446	\$ -	\$ 54,945	\$ 629,709	\$ 139,860	\$ 111,446	\$ 150,268	\$ -	\$ 1,513,523
Permanent fund	-	-	-	-	-	-	-	-	-	-	-	189,991	189,991
Total cash basis fund balances	<u>\$ 378,099</u>	<u>\$ -</u>	<u>\$ 1,367</u>	<u>\$ 5,383</u>	<u>\$ 42,446</u>	<u>\$ -</u>	<u>\$ 54,945</u>	<u>\$ 629,709</u>	<u>\$ 139,860</u>	<u>\$ 111,446</u>	<u>\$ 150,268</u>	<u>\$ 189,991</u>	<u>\$ 1,703,514</u>

See accompanying independent auditor's report.

**City of Fort Madison
Statement of Indebtedness
Year Ended June 30, 2009**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
GO Bonds 2005 issue	10/05/05	3.75-4.00%	\$ 3,750,000	\$ 3,430,000	\$ -	\$ 175,000	\$ 3,255,000	\$ 135,388	\$ -
Park, library, city hall	08/21/01	3.00-4.50%	540,000	185,000	-	60,000	125,000	8,265	-
GO Bonds 2006 issue	12/01/06	3.75-4.30%	1,740,000	1,690,000	-	50,000	1,640,000	67,168	-
Street improvement	05/01/98	4.20-4.90%	750,000	305,000	-	55,000	250,000	14,653	-
Drainage/flood protection	10/01/99	5.00%	500,000	60,000	-	60,000	-	3,000	-
GO Bonds 2008 issue	06/01/08	4.00-4.45%	1,690,000	<u>1,690,000</u>	<u>-</u>	<u>-</u>	<u>1,690,000</u>	<u>67,495</u>	<u>-</u>
Total				<u>\$ 7,360,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 6,960,000</u>	<u>\$ 295,969</u>	<u>\$ -</u>
Revenue bonds:									
State revolving drinking water	07/14/06	3.00%	\$ 1,343,670	\$ 552,131	\$ 560,383	\$ -	\$ 1,112,514	\$ 3,128	\$ -
Sewer revenue capital loan note	08/02/07	3.00%	2,000,000	153,220	1,224,155	73,000	1,304,375	13,534	-
Water revenue bonds	10/29/02	2.25-4.10%	750,000	450,000	-	55,000	395,000	16,638	-
Water revenue bonds	08/21/01	3.30-5.00%	1,660,000	1,210,000	-	110,000	1,100,000	59,472	-
Sewer revenue capital loan note	09/27/00	3.92%	420,000	98,000	-	48,000	50,000	3,842	-
Sewer revenue capital loan note	04/19/04	3.00%	700,000	590,000	-	29,000	561,000	17,700	-
Water revenue bonds	05/01/98	4.25-4.50%	2,005,000	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>7,876</u>	<u>-</u>
Total				<u>\$ 3,228,351</u>	<u>\$ 1,784,538</u>	<u>\$ 490,000</u>	<u>\$ 4,522,889</u>	<u>\$ 122,190</u>	<u>\$ -</u>
Capital loan notes:									
Capital loan note - backhoe/loader	08/03/05	6.00%	\$ 51,126	\$ 24,896	\$ -	\$ 16,224	\$ 8,672	\$ 1,644	\$ -
Capital loan note - fire truck	02/02/01	4.75%	287,500	92,500	-	30,000	62,500	4,459	-
Capital loan note - street sweeper	05/05/09	4.99%	154,680	<u>-</u>	<u>154,680</u>	<u>34,091</u>	<u>120,589</u>	<u>-</u>	<u>-</u>
Total				<u>\$ 117,396</u>	<u>\$ 154,680</u>	<u>\$ 80,315</u>	<u>\$ 191,761</u>	<u>\$ 6,103</u>	<u>\$ -</u>
Urban renewal TIF's:									
Cyprus Climax	09/23/97	Variable	\$ 265,000	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ 2,013	\$ -
Wolfe Packaging	11/03/99	8.25%	268,000	<u>104,000</u>	<u>-</u>	<u>32,000</u>	<u>72,000</u>	<u>7,920</u>	<u>-</u>
Total				<u>\$ 139,000</u>	<u>\$ -</u>	<u>\$ 67,000</u>	<u>\$ 72,000</u>	<u>\$ 9,933</u>	<u>\$ -</u>
Total of all debt				<u>\$ 10,844,747</u>	<u>\$ 1,939,218</u>	<u>\$ 1,037,315</u>	<u>\$ 11,746,650</u>	<u>\$ 434,195</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of Fort Madison
Bond and Note Maturities
June 30, 2009**

General Obligation Bonds											
Year Ending June 30,	<u>General Obligation Bonds Issued October 5, 2005</u>		<u>Refunding Bond Issued August 21, 2001</u>		<u>General Obligation Bonds Issued June 1, 2008</u>		<u>Street Improvement Issued May 1, 1998</u>		<u>General Obligation Bonds Issued December 1, 2006</u>		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2010	3.75%	\$ 175,000	4.50%	\$ 60,000	4.00%	\$ 60,000	4.75%	\$ 60,000	3.75%	\$ 70,000	\$ 425,000
2011	3.75%	185,000	4.50%	65,000	4.00%	100,000	4.80%	60,000	3.75%	70,000	480,000
2012	3.75%	190,000	-	-	4.00%	100,000	4.85%	65,000	3.75%	75,000	430,000
2013	4.00%	200,000	-	-	4.00%	110,000	4.90%	65,000	3.75%	75,000	450,000
2014	4.00%	210,000	-	-	4.00%	115,000	-	-	3.75%	80,000	405,000
2015	4.00%	210,000	-	-	4.00%	115,000	-	-	3.75%	85,000	410,000
2016	4.00%	220,000	-	-	3.65%	125,000	-	-	3.80%	85,000	430,000
2017	4.00%	200,000	-	-	3.75%	125,000	-	-	3.85%	90,000	415,000
2018	4.00%	210,000	-	-	3.80%	140,000	-	-	3.90%	95,000	445,000
2019	4.00%	185,000	-	-	3.90%	140,000	-	-	3.95%	100,000	425,000
2020	4.00%	190,000	-	-	4.00%	150,000	-	-	4.00%	105,000	445,000
2021	4.00%	195,000	-	-	4.10%	95,000	-	-	4.05%	110,000	400,000
2022	4.00%	210,000	-	-	4.15%	40,000	-	-	4.10%	110,000	360,000
2023	4.00%	215,000	-	-	4.20%	40,000	-	-	4.15%	115,000	370,000
2024	4.00%	225,000	-	-	4.25%	45,000	-	-	4.20%	120,000	390,000
2025	4.00%	235,000	-	-	4.30%	45,000	-	-	4.25%	125,000	405,000
2026	-	-	-	-	4.35%	45,000	-	-	4.30%	130,000	175,000
2027	-	-	-	-	4.40%	50,000	-	-	-	-	50,000
2028	-	-	-	-	4.45%	50,000	-	-	-	-	50,000
		<u>\$ 3,255,000</u>		<u>\$ 125,000</u>		<u>\$ 1,690,000</u>		<u>\$ 250,000</u>		<u>\$ 1,640,000</u>	<u>\$ 6,960,000</u>

See accompanying independent auditor's report.

**City of Fort Madison
Bond and Note Maturities
June 30, 2009**

Revenue Bonds													
Year Ending June 30,	<u>Water</u> Issued October 29, 2002		<u>Sewer</u> Issued April 19, 2004		<u>Water</u> Issued August 21, 2001		<u>Sewer</u> Issued September 27, 2000		<u>Water</u> Issued July 17, 2006		<u>Sewer</u> Issued August 2, 2007		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2010	3.35%	\$ 60,000	3.00%	\$ 30,000	4.60%	\$ 165,000	3.92%	\$ 50,000	3.00%	\$ 552,131	3.00%	\$ 75,000	\$ 932,131
2011	3.55%	60,000	3.00%	31,000	4.75%	175,000	-	-	3.00%	560,383	3.00%	77,000	903,383
2012	3.65%	65,000	3.00%	32,000	4.90%	180,000	-	-	-	-	3.00%	80,000	357,000
2013	3.80%	65,000	3.00%	33,000	5.00%	185,000	-	-	-	-	3.00%	82,000	365,000
2014	3.90%	70,000	3.00%	34,000	5.00%	195,000	-	-	-	-	3.00%	85,000	384,000
2015	4.10%	75,000	3.00%	35,000	5.00%	200,000	-	-	-	-	3.00%	88,000	398,000
2016	-	-	3.00%	36,000	-	-	-	-	-	-	3.00%	91,000	127,000
2017	-	-	3.00%	37,000	-	-	-	-	-	-	3.00%	94,000	131,000
2018	-	-	3.00%	38,000	-	-	-	-	-	-	3.00%	97,000	135,000
2019	-	-	3.00%	39,000	-	-	-	-	-	-	3.00%	100,000	139,000
2020	-	-	3.00%	41,000	-	-	-	-	-	-	3.00%	103,000	144,000
2021	-	-	3.00%	42,000	-	-	-	-	-	-	3.00%	106,000	148,000
2022	-	-	3.00%	43,000	-	-	-	-	-	-	3.00%	110,000	153,000
2023	-	-	3.00%	44,000	-	-	-	-	-	-	3.00%	116,375	160,375
2024	-	-	3.00%	46,000	-	-	-	-	-	-	-	-	46,000
		<u>\$ 395,000</u>		<u>\$ 561,000</u>		<u>\$ 1,100,000</u>		<u>\$ 50,000</u>		<u>\$ 1,112,514</u>		<u>\$ 1,304,375</u>	<u>\$ 4,522,889</u>

See accompanying independent auditor's report.

**City of Fort Madison
Bond and Note Maturities
June 30, 2009**

Capital Loan Notes

Year Ending <u>June 30,</u>	<u>Fire Truck</u> <u>Issued February 2, 2001</u>		<u>Backhoe/Loader</u> <u>Issued August 3, 2005</u>		<u>Street Sweeper</u> <u>Issued May 5, 2009</u>		<u>Total</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2010	4.75%	\$ 30,000	6.00%	\$ 5,738	4.99%	\$ 27,934	\$ 63,672
2011	4.75%	32,500	6.00%	2,934	4.99%	29,360	64,794
2012		-		-	4.99%	30,859	30,859
2013		-		-	4.99%	32,436	32,436
		<u>\$ 62,500</u>		<u>\$ 8,672</u>		<u>\$ 120,589</u>	<u>\$ 191,761</u>

Urban Renewal TIF's

Year Ending <u>June 30,</u>	<u>Wolfe Packaging</u> <u>Issued November 3, 1999</u>		<u>Total</u>
	<u>Interest Rate</u>	<u>Amount</u>	
2010	8.25%	\$ 35,000	\$ 35,000
2011	8.25%	37,000	37,000
		<u>\$ 72,000</u>	<u>\$ 72,000</u>

See accompanying independent auditor's report.

City of Fort Madison
Schedule of Receipts by Source and Disbursements by Function-
All Governmental Fund Types

	Year Ended June 30,						
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:							
Property tax	\$ 3,423,873	\$ 3,401,751	\$ 3,296,898	\$ 3,121,988	\$ 3,436,330	\$ 3,531,397	\$ 3,253,011
Tax increment financing	438,351	409,393	345,868	311,332	113,805	139,318	210,536
Other city tax	1,336,713	1,158,414	1,246,721	1,127,272	1,051,357	1,083,236	951,098
Use of money and property	216,485	215,412	266,201	139,397	103,055	119,138	189,267
Licenses and permits	163,030	110,357	133,055	50,615	81,942	62,527	46,462
Intergovernmental	2,430,503	2,573,650	1,850,646	1,882,041	1,783,304	1,818,101	2,140,634
Charges for services	170,632	177,767	221,502	191,730	192,153	209,909	235,452
Special assessments	-	-	-	1,130	917	596	1,115
Miscellaneous	<u>728,673</u>	<u>2,085,617</u>	<u>813,407</u>	<u>2,194,808</u>	<u>2,185,837</u>	<u>1,886,102</u>	<u>597,234</u>
Total	<u>\$ 8,908,260</u>	<u>\$ 10,132,361</u>	<u>\$ 8,174,298</u>	<u>\$ 9,020,313</u>	<u>\$ 8,948,700</u>	<u>\$ 8,850,324</u>	<u>\$ 7,624,809</u>
Disbursements:							
Public safety	\$ 3,051,021	\$ 3,183,137	\$ 3,139,372	\$ 3,472,101	\$ 2,829,448	\$ 2,917,643	\$ 2,863,765
Public works	1,032,424	1,021,522	924,372	1,016,709	1,076,688	980,075	830,947
Health and social services	38,786	39,359	41,334	36,498	37,616	39,599	39,589
Culture and recreation	1,020,231	967,006	908,384	992,903	938,339	1,245,505	1,293,043
Community and economic development	1,180,420	1,282,920	2,456,375	421,993	402,983	639,942	913,105
General government	813,101	524,451	667,301	1,906,586	1,821,715	622,754	628,539
Debt service	609,529	625,889	559,670	635,772	677,883	2,015,079	1,880,074
Capital projects	<u>830,197</u>	<u>3,380,235</u>	<u>2,085,065</u>	<u>697,147</u>	<u>302,088</u>	<u>1,258,502</u>	<u>991,449</u>
Total	<u>\$ 8,575,709</u>	<u>\$ 11,024,519</u>	<u>\$ 10,781,873</u>	<u>\$ 9,179,709</u>	<u>\$ 8,086,760</u>	<u>\$ 9,719,099</u>	<u>\$ 9,440,511</u>

See accompanying independent auditor's report.

City of Fort Madison
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<u>Federal Agency/Pass- Through Agency Program - Grant Title</u>	<u>CFDA Number</u>	<u>Grantor Program Number</u>	<u>Program Expenditures</u>
Indirect:			
Environmental Protection Agency: Capitalization Grants for Drinking Water State Revolving Funds	66.468	PD-DW-06-04	\$ 170,923
U.S. Department of Transportation: Iowa Dept. of Public Safety/Governor's Traffic Safety Bureau: Alcohol Incentive Grant	20.601	PAP 08-410 Task 28	10,889
Alcohol Incentive Grant	20.601	PAP 07-410 Task 29	10,701
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grant	14.228	06-ED-003	5,000
Home Investment Partnerships Program	14.239	05-HM-198-22	205,740
Home Investment Partnerships Program	14.239	07-HM-101-731	410,000
Department of Homeland Security: Disaster Grants - Public Assistance: Federal Emergency Management Agency	97.036	DR-1763-IA	198,992
Direct:			
Environmental Protection Agency: Project Grants	66.202	XP-987832-01	367,430
U.S. Department of Justice: Office of Community Oriented Policing Services	16.738	08JAG/C06-A01	40,526
Corporation for National and Community Service: Retired Senior Volunteer Program	94.002	06SRNIA005	20,343
U.S. Department of Transportation: Surface Transportation Program	20.205	SRTS-U-2697(614)--8U-56	28,500
Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0036-03	300
Airport Improvement Program	20.106	3-19-0036-04	59,579
Airport Improvement Program	20.106	3-19-0036-05	<u>21,969</u>
Total			<u>\$1,550,892</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Fort Madison and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Fort Madison
Miscellaneous Statistical Data**

Major Area Employers

<u>Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Pinnacle Foods Inc.	Canned meats and shelf stable microwavables	430
Iowa State Penitentiary	Corrections facility	522
Fort Madison Community School District	Education	323
Fort Madison Community Hospital	Healthcare	446
Inhance Corporation	Healthcare - nursing homes	175
Siemens	Blades for wind turbines	297
Industrial Tooling	Fabrication and tooling equipment	185
E.I. Dupont de Nemours	Industrial and automotive sealants, finishes, resins and thinners	155
The Scotts Co.	Consumer products for home, lawn and garden	200
Silgan Containers Corp.	Soft drawn aluminum containers	135
Climax Molybdenum Company, Division of AMAX	Molybdenum chemicals and sulfuric acid	142

See accompanying independent auditor's report.

City of Fort Madison
Miscellaneous Statistical Data

Date of Incorporation January 18, 1838
Form of Government Mayor-Council with Full-Time City Manager
Area 16.58 square miles

Fire Protection:

Number of stations	1
Number of employees	16

Police Protection:

Number of stations	1
Number of employees	23

Recreation:

Number of parks	9
Number of acres	238.2

Cemeteries	4
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Airports	1
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Employees:

Permanent	95
Permanent part time	15

Schools:

Public	4
Parochial	2

2008-09 Tax Rates:

City	16.16751
County	9.344
School	14.5274
Merged Area College	.97944
Other	<u>.6235</u>
Total	<u>41.6419</u>

Population:

2000	11,476
1990	11,618
1980	13,520
1970	13,966
1960	15,247
1950	14,954
1940	14,063
1930	13,779

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Fort Madison, Iowa (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2010. Our report expressed an unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe none are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

February 26, 2010



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**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of City of Fort Madison, Iowa (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weakness as defined below. However, as discussed below, we identified a deficiency in internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 not to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates PC

February 26, 2010

City of Fort Madison
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 66.468 - Environmental Protection Agency - Capitalization Grants for Drinking Water State Revolving Funds
 - CFDA Number 66.202 - Environmental Protection Agency - Project Grants
 - CFDA Number 14.239 - Department of Housing and Urban Development - Home Investment Partnerships Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Fort Madison did not qualify as a low-risk auditee.

City of Fort Madison
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

- II-A-09 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Fort Madison. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

- II-B-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Fort Madison
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY

- III-A-09 Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-B-09.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-09 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

- IV-B-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- IV-C-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Chris Greenwald, Council Member Owner of River City Motors	Vehicle repairs, per bid	\$ 23,143

The vehicle repair transactions do not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

- IV-D-09 Revenue Notes - The City has established sinking, reserve and surplus accounts required by the water revenue note resolutions.
- IV-E-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-F-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Fort Madison
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (continued)

IV-H-09 Certified Budget - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-I-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-J-09 Financial Condition - The Capital Projects Fund had deficit balances at June 30, 2009 of \$9,318.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this account to sound financial position.

Response - This deficit was due to project costs or program costs incurred prior to receipt of revenues or transfers. This deficit will be eliminated.

Conclusion - Response accepted.

**City of Fort Madison
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009**

Prior Audit Findings for Federal Awards

SIGNIFICANT DEFICIENCY

III-A-08 Segregation of Duties over Federal Receipts - City of Fort Madison did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs.

Recommendation - It was recommended that the City review its control procedures to obtain the maximum internal control possible under the circumstances, and should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Current Status - Due to the limited number of office employees, segregation of duties over federal receipts continues to be a significant deficiency. See III-A-09 in the current year findings.